

108TH CONGRESS
1ST SESSION

H. R. 7

[Report No. 108-]

To amend the Internal Revenue Code of 1986 to provide incentives for charitable contributions by individuals and businesses, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 7, 2003

Mr. BLUNT (for himself, Mr. FORD, Mr. HULSHOF, Mr. WYNN, Mr. HASTERT, Mr. GORDON, Mr. DELAY, Ms. NORTON, Ms. PRYCE of Ohio, Mr. MEEKS of New York, Mr. CANTOR, Mr. CRANE, Mr. RAMSTAD, Mr. ENGLISH, Mr. FOLEY, Mr. SHAYS, Mr. SMITH of Texas, Mr. UPTON, Mr. WOLF, Mr. GILLMOR, Mr. STEARNS, Mr. CAMP, Mr. KINGSTON, Mr. MCHUGH, Mr. BACHUS, Mr. BARTLETT of Maryland, Mr. BARTON of Texas, Mrs. MYRICK, Mr. NORWOOD, Mr. SOUDER, Mr. TIAHRT, Mr. WAMP, Mr. WICKER, Mr. DOOLITTLE, Mrs. NORTHUP, Mr. PETERSON of Pennsylvania, Mr. PICKERING, Mr. PITTS, Mr. REYNOLDS, Mr. SESSIONS, Mr. SHIMKUS, Mr. GREEN of Wisconsin, Mr. HAYES, Mr. ISAKSON, Mr. TERRY, Mr. AKIN, Mr. BOOZMAN, Mr. FORBES, Mr. GRAVES, Ms. HART, Mr. KELLER, Mr. PENCE, Mr. SCHROCK, Mr. SIMMONS, Mr. BARRETT of South Carolina, Mrs. BLACKBURN, Ms. GINNY BROWN-WAITE of Florida, Mr. BURGESS, Mr. CHOCOLA, Mr. GARRETT of New Jersey, Ms. HARRIS, Mr. JANKLOW, Mrs. MUSGRAVE, Mr. RENZI, and Mr. FOSSELLA) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

SEPTEMBER , 2003

Reported from the Committee on Ways and Means with an amendment



[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on May 7, 2003]

A BILL

To amend the Internal Revenue Code of 1986 to provide incentives for charitable contributions by individuals and businesses, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; ETC.**

4 (a) *SHORT TITLE.*—*This Act may be cited as the*
5 *“Charitable Giving Act of 2003”.*

6 (b) *AMENDMENT OF 1986 CODE.*—*Except as otherwise*
7 *expressly provided, whenever in this Act an amendment or*
8 *repeal is expressed in terms of an amendment to, or repeal*
9 *of, a section or other provision, the reference shall be consid-*
10 *ered to be made to a section or other provision of the Inter-*
11 *nal Revenue Code of 1986.*

12 (c) *TABLE OF CONTENTS.*—

Sec. 1. Short title; etc.

TITLE I—CHARITABLE GIVING INCENTIVES

Sec. 101. Deduction for portion of charitable contributions to be allowed to indi-
viduals who do not itemize deductions.

Sec. 102. Tax-free distributions from individual retirement plans for charitable
purposes.

Sec. 103. Increase in cap on corporate charitable contributions.

Sec. 104. Charitable deduction for contributions of food inventory.

Sec. 105. Reform of certain excise taxes related to private foundations.

Sec. 106. Excise tax on unrelated business taxable income of charitable remainder
trusts.



Sec. 107. Expansion of charitable contribution allowed for scientific property used for research and for computer technology and equipment used for educational purposes.

Sec. 108. Adjustment to basis of S corporation stock for certain charitable contributions.

Sec. 109. Charitable organizations permitted to make collegiate housing and infrastructure grants.

Sec. 110. Conduct of certain games of chance not treated as unrelated trade or business.

Sec. 111. Excise taxes exemption for blood collector organizations.

Sec. 112. Nonrecognition of gain on the sale of property used in performance of an exempt function.

Sec. 113. Exemption of qualified 501(c)(3) bonds for nursing homes from Federal guarantee prohibitions.

*TITLE II—TAX REFORM AND IMPROVEMENTS RELATING TO
CHARITABLE ORGANIZATIONS AND PROGRAMS*

Sec. 201. Suspension of tax-exempt status of terrorist organizations.

Sec. 202. Clarification of definition of church tax inquiry.

Sec. 203. Extension of declaratory judgment remedy to tax-exempt organizations.

Sec. 204. Landowner incentives programs.

Sec. 205. Modifications to section 512(b)(13).

Sec. 206. Simplification of lobbying expenditure limitation.

Sec. 207. Pilot project for forest conservation activities.

TITLE III—OTHER PROVISIONS

Sec. 301. Compassion capital fund.

Sec. 302. Reauthorization of assets for independence demonstration.

Sec. 303. Sense of the Congress regarding corporate contributions to faith-based organizations, etc.

Sec. 304. Maternity group homes.

Sec. 305. Authority of States to use 10 percent of their TANF funds to carry out social services block grant programs.

1 ***TITLE I—CHARITABLE GIVING***
2 ***INCENTIVES***

3 **SEC. 101. DEDUCTION FOR PORTION OF CHARITABLE CON-**
4 **TRIBUTIONS TO BE ALLOWED TO INDIVID-**
5 **UALS WHO DO NOT ITEMIZE DEDUCTIONS.**

6 (a) *IN GENERAL.*—Section 170 (relating to charitable,
7 *etc., contributions and gifts*) is amended by redesignating
8 *subsection (m) as subsection (n) and by inserting after sub-*
9 *section (l) the following new subsection:*



1 “(m) *DEDUCTION FOR INDIVIDUALS NOT ITEMIZING*
2 *DEDUCTIONS.*—

3 “(1) *IN GENERAL.*—*In the case of an individual*
4 *who does not itemize deductions for a taxable year,*
5 *there shall be taken into account as a direct charitable*
6 *deduction under section 63 an amount equal to the*
7 *amount allowable under subsection (a) for the taxable*
8 *year for cash contributions (determined without re-*
9 *gard to any carryover), to the extent that such con-*
10 *tributions exceed \$250 (\$500 in the case of a joint re-*
11 *turn) but do not exceed \$500 (\$1,000 in the case of*
12 *a joint return).*

13 “(2) *TERMINATION.*—*Paragraph (1) shall not*
14 *apply to any taxable year beginning after December*
15 *31, 2005.”.*

16 (b) *DIRECT CHARITABLE DEDUCTION.*—

17 (1) *IN GENERAL.*—*Subsection (b) of section 63*
18 *(defining taxable income) is amended by striking*
19 *“and” at the end of paragraph (1), by striking the pe-*
20 *riod at the end of paragraph (2) and inserting “,*
21 *and”, and by adding at the end the following new*
22 *paragraph:*

23 “(3) *the direct charitable deduction.”.*

24 (2) *DEFINITION.*—*Section 63 is amended by re-*
25 *designating subsection (g) as subsection (h) and by*



1 *inserting after subsection (f) the following new sub-*
2 *section:*

3 *“(g) DIRECT CHARITABLE DEDUCTION.—For purposes*
4 *of this section, the term ‘direct charitable deduction’ means*
5 *that portion of the amount allowable under section 170(a)*
6 *which is taken as a direct charitable deduction for the tax-*
7 *able year under section 170(m).”.*

8 *(3) CONFORMING AMENDMENT.—Subsection (d)*
9 *of section 63 is amended by striking “and” at the end*
10 *of paragraph (1), by striking the period at the end of*
11 *paragraph (2) and inserting “, and”, and by adding*
12 *at the end the following new paragraph:*

13 *“(3) the direct charitable deduction.”.*

14 *(c) STUDY.—*

15 *(1) IN GENERAL.—The Secretary of the Treasury*
16 *shall study the effect of the amendments made by this*
17 *section on increased charitable giving and taxpayer*
18 *compliance, including a comparison of taxpayer com-*
19 *pliance between taxpayers who itemize their chari-*
20 *table contributions and taxpayers who claim a direct*
21 *charitable deduction.*

22 *(2) REPORT.—Not later than December 31, 2006,*
23 *the Secretary of the Treasury shall report on the*
24 *study required under paragraph (1) to the Committee*



1 *on Finance of the Senate and the Committee on Ways*
2 *and Means of the House of Representatives.*

3 *(d) EFFECTIVE DATE.—The amendments made by this*
4 *section shall apply to taxable years beginning after Decem-*
5 *ber 31, 2003.*

6 **SEC. 102. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
7 **TIREMENT PLANS FOR CHARITABLE PUR-**
8 **POSES.**

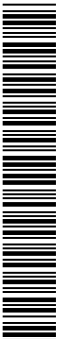
9 *(a) IN GENERAL.—Subsection (d) of section 408 (relat-*
10 *ing to individual retirement accounts) is amended by add-*
11 *ing at the end the following new paragraph:*

12 *“(8) DISTRIBUTIONS FOR CHARITABLE PUR-*
13 *POSES.—*

14 *“(A) IN GENERAL.—No amount shall be in-*
15 *cludible in gross income by reason of a qualified*
16 *charitable distribution.*

17 *“(B) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the term*
18 *‘qualified charitable distribution’ means any dis-*
19 *tribution from an individual retirement plan*
20 *other than a plan described in subsection (k) or*
21 *(p) of section 408—*

22 *“(i) which is made on or after the date*
23 *that the individual for whose benefit the*
24



1 *plan is maintained has attained age 70 1/2,*
2 *and*

3 *“(ii) which is made directly by the*
4 *trustee—*

5 *“(I) to an organization described*
6 *in section 170(c), or*

7 *“(II) to a split-interest entity.*

8 *A distribution shall be treated as a qualified*
9 *charitable distribution only to the extent that the*
10 *distribution would be includible in gross income*
11 *without regard to subparagraph (A) and, in the*
12 *case of a distribution to a split-interest entity,*
13 *only if no person holds an income interest in the*
14 *amounts in the split-interest entity attributable*
15 *to such distribution other than one or more of*
16 *the following: the individual for whose benefit*
17 *such plan is maintained, the spouse of such indi-*
18 *vidual, or any organization described in section*
19 *170(c).*

20 *“(C) CONTRIBUTIONS MUST BE OTHERWISE*
21 *DEDUCTIBLE.—For purposes of this*
22 *paragraph—*

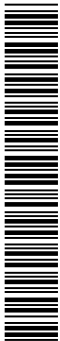
23 *“(i) DIRECT CONTRIBUTIONS.—A dis-*
24 *tribution to an organization described in*
25 *section 170(c) shall be treated as a qualified*



1 *charitable distribution only if a deduction*
2 *for the entire distribution would be allow-*
3 *able under section 170 (determined without*
4 *regard to subsection (b) thereof and this*
5 *paragraph).*

6 “(ii) *SPLIT-INTEREST GIFTS.—A dis-*
7 *tribution to a split-interest entity shall be*
8 *treated as a qualified charitable distribu-*
9 *tion only if a deduction for the entire value*
10 *of the interest in the distribution for the use*
11 *of an organization described in section*
12 *170(c) would be allowable under section 170*
13 *(determined without regard to subsection (b)*
14 *thereof and this paragraph).*

15 “(D) *APPLICATION OF SECTION 72.—Not-*
16 *withstanding section 72, in determining the ex-*
17 *tent to which a distribution is a qualified chari-*
18 *table distribution, the entire amount of the dis-*
19 *tribution shall be treated as includible in gross*
20 *income without regard to subparagraph (A) to*
21 *the extent that such amount does not exceed the*
22 *aggregate amount which would have been so in-*
23 *cludible if all amounts distributed from all indi-*
24 *vidual retirement plans were treated as 1 con-*
25 *tract under paragraph (2)(A) for purposes of de-*

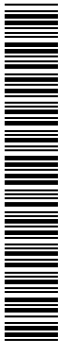


1 *termining the inclusion of such distribution*
2 *under section 72. Proper adjustments shall be*
3 *made in applying section 72 to other distribu-*
4 *tions in such taxable year and subsequent tax-*
5 *able years.*

6 *“(E) SPECIAL RULES FOR SPLIT-INTEREST*
7 *ENTITIES.—*

8 *“(i) CHARITABLE REMAINDER*
9 *TRUSTS.—Notwithstanding section 664(b),*
10 *distributions made from a trust described in*
11 *subparagraph (G)(i) shall be treated as or-*
12 *dinary income in the hands of the bene-*
13 *ficiary to whom is paid the annuity de-*
14 *scribed in section 664(d)(1)(A) or the pay-*
15 *ment described in section 664(d)(2)(A).*

16 *“(ii) POOLED INCOME FUNDS.—No*
17 *amount shall be includible in the gross in-*
18 *come of a pooled income fund (as defined in*
19 *subparagraph (G)(ii)) by reason of a quali-*
20 *fied charitable distribution to such fund,*
21 *and all distributions from the fund which*
22 *are attributable to qualified charitable dis-*
23 *tributions shall be treated as ordinary in-*
24 *come to the beneficiary.*



1 “(iii) *CHARITABLE GIFT ANNUITIES.*—
2 *Qualified charitable distributions made for*
3 *a charitable gift annuity shall not be treat-*
4 *ed as an investment in the contract.*

5 “(F) *DENIAL OF DEDUCTION.*—*Qualified*
6 *charitable distributions shall not be taken into*
7 *account in determining the deduction under sec-*
8 *tion 170.*

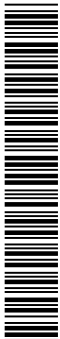
9 “(G) *SPLIT-INTEREST ENTITY DEFINED.*—
10 *For purposes of this paragraph, the term ‘split-*
11 *interest entity’ means—*

12 “(i) *a charitable remainder annuity*
13 *trust or a charitable remainder unitrust (as*
14 *such terms are defined in section 664(d))*
15 *which must be funded exclusively by quali-*
16 *fied charitable distributions,*

17 “(ii) *a pooled income fund (as defined*
18 *in section 642(c)(5)), but only if the fund*
19 *accounts separately for amounts attrib-*
20 *utable to qualified charitable distributions,*
21 *and*

22 “(iii) *a charitable gift annuity (as de-*
23 *finied in section 501(m)(5)).”.*

24 (b) *MODIFICATIONS RELATING TO INFORMATION RE-*
25 *TURNS BY CERTAIN TRUSTS.*—



1 (1) *RETURNS*.—Section 6034 (relating to returns
2 by trusts described in section 4947(a)(2) or claiming
3 charitable deductions under section 642(c)) is amend-
4 ed to read as follows:

5 **“SEC. 6034. RETURNS BY TRUSTS DESCRIBED IN SECTION**
6 **4947(a)(2) OR CLAIMING CHARITABLE DEDUC-**
7 **TIONS UNDER SECTION 642(c).**

8 “(a) *TRUSTS DESCRIBED IN SECTION 4947(a)(2)*.—
9 Every trust described in section 4947(a)(2) shall furnish
10 such information with respect to the taxable year as the
11 Secretary may by forms or regulations require.

12 “(b) *TRUSTS CLAIMING A CHARITABLE DEDUCTION*
13 *UNDER SECTION 642(c)*.—

14 “(1) *IN GENERAL*.—Every trust not required to
15 file a return under subsection (a) but claiming a de-
16 duction under section 642(c) for the taxable year shall
17 furnish such information with respect to such taxable
18 year as the Secretary may by forms or regulations
19 prescribe, including—

20 “(A) the amount of the deduction taken
21 under section 642(c) within such year,

22 “(B) the amount paid out within such year
23 which represents amounts for which deductions
24 under section 642(c) have been taken in prior
25 years,



1 “(C) the amount for which such deductions
2 have been taken in prior years but which has not
3 been paid out at the beginning of such year,

4 “(D) the amount paid out of principal in
5 the current and prior years for the purposes de-
6 scribed in section 642(c),

7 “(E) the total income of the trust within
8 such year and the expenses attributable thereto,
9 and

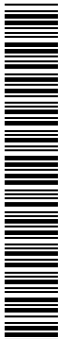
10 “(F) a balance sheet showing the assets, li-
11 abilities, and net worth of the trust as of the be-
12 ginning of such year.

13 “(2) EXCEPTIONS.—Paragraph (1) shall not
14 apply to a trust for any taxable year if—

15 “(A) all the net income for such year, deter-
16 mined under the applicable principles of the law
17 of trusts, is required to be distributed currently
18 to the beneficiaries, or

19 “(B) the trust is described in section
20 4947(a)(1).”.

21 (2) INCREASE IN PENALTY RELATING TO FILING
22 OF INFORMATION RETURN BY SPLIT-INTEREST
23 TRUSTS.—Paragraph (2) of section 6652(c) (relating
24 to returns by exempt organizations and by certain



1 *trusts) is amended by adding at the end the following*
2 *new subparagraph:*

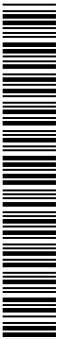
3 “(C) *SPLIT-INTEREST TRUSTS.—In the case*
4 *of a trust which is required to file a return*
5 *under section 6034(a), subparagraphs (A) and*
6 *(B) of this paragraph shall not apply and para-*
7 *graph (1) shall apply in the same manner as if*
8 *such return were required under section 6033,*
9 *except that—*

10 “(i) *the 5 percent limitation in the sec-*
11 *ond sentence of paragraph (1)(A) shall not*
12 *apply,*

13 “(ii) *in the case of any trust with gross*
14 *income in excess of \$250,000, the first sen-*
15 *tence of paragraph (1)(A) shall be applied*
16 *by substituting ‘\$100’ for ‘\$20’, and the sec-*
17 *ond sentence thereof shall be applied by sub-*
18 *stituting ‘\$50,000’ for ‘\$10,000’, and*

19 “(iii) *the third sentence of paragraph*
20 *(1)(A) shall be disregarded.*

21 *In addition to any penalty imposed on the trust*
22 *pursuant to this subparagraph, if the person re-*
23 *quired to file such return knowingly fails to file*
24 *the return, such penalty shall also be imposed on*



1 *such person who shall be personally liable for*
2 *such penalty.”.*

3 (3) *CONFIDENTIALITY OF NONCHARITABLE BENE-*
4 *FICIARIES.*—*Subsection (b) of section 6104 (relating*
5 *to inspection of annual information returns) is*
6 *amended by adding at the end the following new sen-*
7 *tence: “In the case of a trust which is required to file*
8 *a return under section 6034(a), this subsection shall*
9 *not apply to information regarding beneficiaries*
10 *which are not organizations described in section*
11 *170(c).”.*

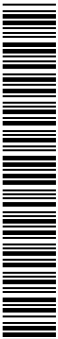
12 (c) *EFFECTIVE DATES.*—

13 (1) *SUBSECTION (a).*—*The amendment made by*
14 *subsection (a) shall apply to distributions made after*
15 *December 31, 2003.*

16 (2) *SUBSECTION (b).*—*The amendments made by*
17 *subsection (b) shall apply to returns for taxable years*
18 *beginning after December 31, 2003.*

19 **SEC. 103. INCREASE IN CAP ON CORPORATE CHARITABLE**
20 **CONTRIBUTIONS.**

21 (a) *IN GENERAL.*—*Paragraph (2) of section 170(b)*
22 *(relating to corporations) is amended by striking “10 per-*
23 *cent” and inserting “the applicable percentage”.*



1 (b) *APPLICABLE PERCENTAGE.*—Subsection (b) of sec-
 2 tion 170 is amended by adding at the end the following
 3 new paragraph:

4 “(3) *APPLICABLE PERCENTAGE DEFINED.*—For
 5 purposes of paragraph (2), the applicable percentage
 6 shall be determined in accordance with the following
 7 table:

<i>“For taxable years beginning in calendar year—</i>	<i>The applicable percentage is—</i>
2004	11
2005	12
2006	13
2007	14
2008 through 2011	15
2012 and thereafter	20.”.

8 (c) *CONFORMING AMENDMENTS.*—

9 (1) Sections 512(b)(10) and 805(b)(2)(A) are
 10 each amended by striking “10 percent” each place it
 11 occurs and inserting “the applicable percentage (de-
 12 termined under section 170(b)(3))”.

13 (2) Sections 545(b)(2) and 556(b)(2) are each
 14 amended by striking “10-percent limitation” and in-
 15 serting “applicable percentage limitation”.

16 (d) *EFFECTIVE DATE.*—The amendments made by this
 17 section shall apply to taxable years beginning after Decem-
 18 ber 31, 2003.



1 **SEC. 104. CHARITABLE DEDUCTION FOR CONTRIBUTIONS**
2 **OF FOOD INVENTORY.**

3 (a) *IN GENERAL.*—Paragraph (3) of section 170(e) (re-
4 lating to special rule for certain contributions of inventory
5 and other property) is amended by redesignating subpara-
6 graph (C) as subparagraph (D) and by inserting after sub-
7 paragraph (B) the following new subparagraph:

8 “(C) *SPECIAL RULE FOR CONTRIBUTIONS*
9 *OF FOOD INVENTORY.*—

10 “(i) *GENERAL RULE.*—In the case of a
11 charitable contribution of food from any
12 trade or business (or interest therein) of the
13 taxpayer, this paragraph shall be applied—

14 “(I) without regard to whether the
15 contribution is made by a C corpora-
16 tion, and

17 “(II) only to food that is appar-
18 ently wholesome food.

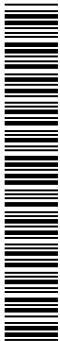
19 “(ii) *LIMITATION.*—In the case of a
20 taxpayer other than a C corporation, the
21 aggregate amount of such contributions for
22 any taxable year which may be taken into
23 account under this section shall not exceed
24 the applicable percentage (within the mean-
25 ing of subsection (b)(3)) of the taxpayer’s
26 aggregate net income for such taxable year



1 *from all trades or businesses from which*
2 *such contributions were made for such year,*
3 *computed without regard to this section.*

4 “(iii) *DETERMINATION OF FAIR MAR-*
5 *KET VALUE.—In the case of a qualified con-*
6 *tribution of apparently wholesome food to*
7 *which this paragraph applies and which,*
8 *solely by reason of internal standards of the*
9 *taxpayer or lack of market, cannot or will*
10 *not be sold, the fair market value of such*
11 *food shall be determined by taking into ac-*
12 *count the price at which the same or sub-*
13 *stantially the same food items (as to both*
14 *type and quality) are sold by the taxpayer*
15 *at the time of the contribution (or, if not so*
16 *sold at such time, in the recent past).*

17 “(iv) *APPARENTLY WHOLESOME*
18 *FOOD.—For purposes of this subparagraph,*
19 *the term ‘apparently wholesome food’ has*
20 *the meaning given to such term by section*
21 *22(b)(2) of the Bill Emerson Good Samari-*
22 *tan Food Donation Act (42 U.S.C.*
23 *1791(b)(2)), as in effect on the date of the*
24 *enactment of this subparagraph.”.*



1 (b) *EFFECTIVE DATE.*—*The amendment made by this*
2 *section shall apply to taxable years beginning after Decem-*
3 *ber 31, 2003.*

4 **SEC. 105. REFORM OF CERTAIN EXCISE TAXES RELATED TO**
5 **PRIVATE FOUNDATIONS.**

6 (a) *REDUCTION OF TAX ON NET INVESTMENT IN-*
7 *COME.*—*Section 4940(a) (relating to tax-exempt founda-*
8 *tions) is amended by striking “2 percent” and inserting “1*
9 *percent”.*

10 (b) *REPEAL OF REDUCTION IN TAX WHERE PRIVATE*
11 *FOUNDATION MEETS CERTAIN DISTRIBUTION REQUIRE-*
12 *MENTS.*—*Section 4940 (relating to excise tax based on in-*
13 *vestment income) is amended by striking subsection (e).*

14 (c) *MODIFICATION OF EXCISE TAX ON SELF-DEAL-*
15 *ING.*—*The second sentence of section 4941(a)(1) (relating*
16 *to initial excise tax imposed on self-dealer) is amended by*
17 *striking “5 percent” and inserting “25 percent”.*

18 (d) *MODIFICATION OF EXCISE TAX ON FAILURE TO*
19 *DISTRIBUTE INCOME.*—

20 (1) *CERTAIN ADMINISTRATIVE EXPENSES NOT*
21 *TREATED AS DISTRIBUTIONS.*—*Section 4942(g) is*
22 *amended by striking paragraph (4) and inserting the*
23 *following new paragraphs:*

24 “(4) *LIMITATION ON ADMINISTRATIVE EXPENSES*
25 *TREATED AS DISTRIBUTIONS.*—



1 “(A) *IN GENERAL.*—*For purposes of para-*
2 *graph (1)(A), the following administrative ex-*
3 *penses shall not be treated as qualifying distribu-*
4 *tions:*

5 “(i) *Any administrative expense which*
6 *is not directly attributable to direct chari-*
7 *table activities, grant selection activities,*
8 *grant monitoring and administration ac-*
9 *tivities, compliance with applicable Federal,*
10 *State, or local law, or furthering public ac-*
11 *countability of the private foundation.*

12 “(ii) *Any compensation paid to a dis-*
13 *qualified person to the extent that such com-*
14 *penetration exceeds an annual rate of*
15 *\$100,000.*

16 “(iii) *Any expense incurred for trans-*
17 *portation by air unless such transportation*
18 *is regularly-scheduled commercial air trans-*
19 *portation.*

20 “(iv) *Any expense incurred for regu-*
21 *larly-scheduled commercial air transpor-*
22 *tation to the extent that such expense ex-*
23 *ceeds the cost of such transportation in*
24 *coach-class accommodations.*

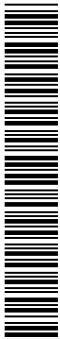


1 “(B) *ADJUSTMENT FOR INFLATION.*—*In the*
2 *case of a taxable year beginning after December*
3 *31, 2004, the \$100,000 amount in subparagraph*
4 *(A)(ii) shall be increased by an amount equal*
5 *to—*

6 “(i) *such dollar amount, multiplied by*
7 “(ii) *the cost-of-living adjustment de-*
8 *termined under section 1(f)(3) for the cal-*
9 *endar year in which the taxable year be-*
10 *gins, determined by substituting ‘calendar*
11 *year 2003’ for ‘calendar year 1992’ in sub-*
12 *paragraph (B) thereof.*

13 *If any amount as increased under the preceding*
14 *sentence is not a multiple of \$50, such amount*
15 *shall be rounded to the next lowest multiple of*
16 *\$50.*

17 “(5) *REGULATIONS.*—*The Secretary shall pre-*
18 *scribe such regulations as may be necessary to carry*
19 *out the purposes of paragraph (4). Such regulations*
20 *shall provide that administrative expenses which are*
21 *excluded from qualifying distributions solely by rea-*
22 *son of the limitations in paragraph (4) shall not for*
23 *such reason subject a private foundation to any other*
24 *excise taxes imposed by this subchapter.”.*



1 (2) *DISALLOWANCE NOT TO APPLY TO CERTAIN*
2 *PRIVATE FOUNDATIONS.*—

3 (A) *IN GENERAL.*—Section 4942(j)(3) (*de-*
4 *fining operating foundation*) is amended—

5 (i) by striking “(within the meaning of
6 paragraph (1) or (2) of subsection (g))”
7 each place it appears, and

8 (ii) by adding at the end the following
9 new sentence: “For purposes of this para-
10 graph, the term ‘qualifying distributions’
11 means qualifying distributions within the
12 meaning of paragraph (1) or (2) of sub-
13 section (g) (determined without regard to
14 subsection (g)(4)).”.

15 (B) *CONFORMING AMENDMENT.*—Section
16 4942(f)(2)(C)(i) is amended by inserting “(deter-
17 mined without regard to subsection (g)(4))” after
18 “within the meaning of subsection (g)(1)(A)”.

19 (e) *EFFECTIVE DATE.*—The amendments made by this
20 section shall apply to taxable years beginning after Decem-
21 ber 31, 2003.



1 **SEC. 106. EXCISE TAX ON UNRELATED BUSINESS TAXABLE**
2 **INCOME OF CHARITABLE REMAINDER**
3 **TRUSTS.**

4 (a) *IN GENERAL.*—Subsection (c) of section 664 (relat-
5 ing to exemption from income taxes) is amended to read
6 as follows:

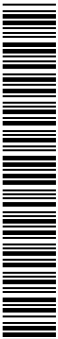
7 “(c) *TAXATION OF TRUSTS.*—

8 “(1) *INCOME TAX.*—A charitable remainder an-
9 nuity trust and a charitable remainder unitrust shall,
10 for any taxable year, not be subject to any tax im-
11 posed by this subtitle.

12 “(2) *EXCISE TAX.*—

13 “(A) *IN GENERAL.*—In the case of a chari-
14 table remainder annuity trust or a charitable re-
15 mainder unitrust that has unrelated business
16 taxable income (within the meaning of section
17 512, determined as if part III of subchapter F
18 applied to such trust) for a taxable year, there
19 is hereby imposed on such trust or unitrust an
20 excise tax equal to the amount of such unrelated
21 business taxable income.

22 “(B) *CERTAIN RULES TO APPLY.*—The tax
23 imposed by subparagraph (A) shall be treated as
24 imposed by chapter 42 for purposes of this title
25 other than subchapter E of chapter 42.



1 “(C) *CHARACTER OF DISTRIBUTIONS AND*
2 *COORDINATION WITH DISTRIBUTION REQUIRE-*
3 *MENTS.—The amounts taken into account in de-*
4 *termining unrelated business taxable income (as*
5 *defined in subparagraph (A)) shall not be taken*
6 *into account for purposes of—*

7 “(i) *subsection (b),*
8 “(ii) *determining the value of trust as-*
9 *sets under subsection (d)(2), and*
10 “(iii) *determining income under sub-*
11 *section (d)(3).*

12 “(D) *TAX COURT PROCEEDINGS.—For pur-*
13 *poses of this paragraph, the references in section*
14 *6212(c)(1) to section 4940 shall be deemed to in-*
15 *clude references to this paragraph.”.*

16 (b) *EFFECTIVE DATE.—The amendment made by this*
17 *section shall apply to taxable years beginning after Decem-*
18 *ber 31, 2003.*

19 **SEC. 107. EXPANSION OF CHARITABLE CONTRIBUTION AL-**
20 **LOWED FOR SCIENTIFIC PROPERTY USED**
21 **FOR RESEARCH AND FOR COMPUTER TECH-**
22 **NOLOGY AND EQUIPMENT USED FOR EDU-**
23 **CATIONAL PURPOSES.**

24 (a) *SCIENTIFIC PROPERTY USED FOR RESEARCH.—*



1 (1) *IN GENERAL.*—Clause (ii) of section
2 170(e)(4)(B) (defining qualified research contribu-
3 tions) is amended by inserting “or assembled” after
4 “constructed”.

5 (2) *CONFORMING AMENDMENT.*—Clause (iii) of
6 section 170(e)(4)(B) is amended by inserting “or as-
7 sembling” after “construction”.

8 (b) *COMPUTER TECHNOLOGY AND EQUIPMENT FOR*
9 *EDUCATIONAL PURPOSES.*—

10 (1) *IN GENERAL.*—Clause (ii) of section
11 170(e)(6)(B) is amended by inserting “or assembled”
12 after “constructed” and “or assembling” after “con-
13 struction”.

14 (2) *SPECIAL RULE MADE PERMANENT.*—Section
15 170(e)(6) is amended by striking subparagraph (G).

16 (3) *CONFORMING AMENDMENTS.*—Subparagraph
17 (D) of section 170(e)(6) is amended by inserting “or
18 assembled” after “constructed” and “or assembling”
19 after “construction”.

20 (c) *EFFECTIVE DATE.*—The amendments made by this
21 section shall apply to taxable years beginning after Decem-
22 ber 31, 2003.



1 **SEC. 108. ADJUSTMENT TO BASIS OF S CORPORATION**
2 **STOCK FOR CERTAIN CHARITABLE CON-**
3 **TRIBUTIONS.**

4 (a) *IN GENERAL.*—Paragraph (2) of section 1367(a)
5 (relating to adjustments to basis of stock of shareholders,
6 etc.) is amended by adding at the end the following new
7 flush sentence:

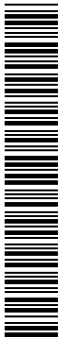
8 “The decrease under subparagraph (B) by reason of
9 a charitable contribution (as defined in section
10 170(c)) of property shall be the amount equal to the
11 shareholder’s pro rata share of the adjusted basis of
12 such property.”.

13 (b) *EFFECTIVE DATE.*—The amendment made by this
14 section shall apply to taxable years beginning after Decem-
15 ber 31, 2003.

16 **SEC. 109. CHARITABLE ORGANIZATIONS PERMITTED TO**
17 **MAKE COLLEGIATE HOUSING AND INFRA-**
18 **STRUCTURE GRANTS.**

19 (a) *IN GENERAL.*—Section 501 (relating to exemption
20 from tax on corporations, certain trusts, etc.), as amended
21 by section 201, is further amended by redesignating sub-
22 section (q) as subsection (r) and by inserting after sub-
23 section (p) the following new subsection:

24 “(q) *TREATMENT OF ORGANIZATIONS MAKING COLLE-*
25 *GIATE HOUSING AND INFRASTRUCTURE IMPROVEMENT*
26 *GRANTS.*—



1 “(1) *IN GENERAL.*—For purposes of subsection
2 (c)(3) and sections 170(c)(2)(B), 2055(a), and
3 2522(a)(2), an organization shall not fail to be treat-
4 ed as organized and operated exclusively for chari-
5 table or educational purposes solely because such or-
6 ganization makes collegiate housing and infrastruc-
7 ture grants to an organization described in subsection
8 (c)(7), so long as, at the time of the grant, substan-
9 tially all of the active members of the recipient orga-
10 nization are full-time students at the college or uni-
11 versity with which such recipient organization is as-
12 sociated.

13 “(2) *HOUSING AND INFRASTRUCTURE GRANTS.*—
14 For purposes of paragraph (1), collegiate housing and
15 infrastructure grants are grants to provide, improve,
16 operate, or maintain collegiate housing that may in-
17 volve more than incidental social, recreational, or pri-
18 vate purposes, so long as such grants are for purposes
19 that would be permissible for a dormitory of the col-
20 lege or university referred to in paragraph (1). A
21 grant shall not be treated as a collegiate housing and
22 infrastructure grant for purposes of paragraph (1) to
23 the extent that such grant is used to provide physical
24 fitness equipment.



1 “(3) *GRANTS TO CERTAIN ORGANIZATIONS HOLD-*
2 *ING TITLE TO PROPERTY, ETC.*—For purposes of this
3 subsection, a collegiate housing and infrastructure
4 grant to an organization described in subsection
5 (c)(2) or (c)(7) holding title to property exclusively
6 for the benefit of an organization described in sub-
7 section (c)(7) shall be considered a grant to the orga-
8 nization described in subsection (c)(7) for whose ben-
9 efit such property is held.”.

10 (b) *EFFECTIVE DATE.*—The amendment made by this
11 section shall apply to grants made after December 31, 2003.

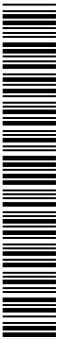
12 **SEC. 110. CONDUCT OF CERTAIN GAMES OF CHANCE NOT**
13 **TREATED AS UNRELATED TRADE OR BUSI-**
14 **NESS.**

15 (a) *IN GENERAL.*—Paragraph (1) of section 513(f) (re-
16 lating to certain bingo games) is amended to read as fol-
17 lows:

18 “(1) *IN GENERAL.*—The term ‘unrelated trade or
19 business’ does not include—

20 “(A) any trade or business which consists of
21 conducting bingo games, and

22 “(B) any trade or business which consists of
23 conducting qualified games of chance if the net
24 proceeds from such trade or business are paid or
25 set aside for payment for purposes described in



1 *section 170(c)(2)(B), for the promotion of social*
2 *welfare (within the meaning of section*
3 *501(c)(4)), or for a purpose for which State law*
4 *specifically authorizes the expenditure of such*
5 *proceeds.”.*

6 ***(b) QUALIFIED GAMES OF CHANCE.***—Subsection (f) of
7 *section 513 is amended by adding at the end the following*
8 *new paragraph:*

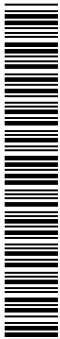
9 ***“(3) QUALIFIED GAMES OF CHANCE.***—For pur-
10 *poses of paragraph (1), the term ‘qualified game of*
11 *chance’ means any game of chance (other than bingo)*
12 *conducted by an organization if—*

13 ***“(A) such organization is licensed pursuant***
14 *to State law to conduct such game,*

15 ***“(B) only organizations which are orga-***
16 *nized as nonprofit corporations or are exempt*
17 *from tax under section 501(a) may be so licensed*
18 *to conduct such game within the State, and*

19 ***“(C) the conduct of such game does not vio-***
20 *late State or local law.”*

21 ***(c) CLERICAL AMENDMENT.***—The subsection heading
22 *of section 513(f) is amended by striking “BINGO GAMES”*
23 *and inserting “GAMES OF CHANCE”.*



1 (d) *EFFECTIVE DATE.*— *The amendments made by*
2 *this section shall apply to games conducted after December*
3 *31, 2003.*

4 **SEC. 111. EXCISE TAXES EXEMPTION FOR BLOOD COL-**
5 **LECTOR ORGANIZATIONS.**

6 (a) *EXEMPTION FROM IMPOSITION OF SPECIAL FUELS*
7 *TAX.*—*Section 4041(g) (relating to other exemptions) is*
8 *amended by striking “and” at the end of paragraph (3),*
9 *by striking the period in paragraph (4) and inserting “;*
10 *and”, and by inserting after paragraph (4) the following*
11 *new paragraph:*

12 “(5) *with respect to the sale of any liquid to a*
13 *qualified blood collector organization (as defined in*
14 *section 7701(a)(48)) for such organization’s exclusive*
15 *use, or with respect to the use by a qualified blood col-*
16 *lector organization of any liquid as a fuel.”.*

17 (b) *EXEMPTION FROM MANUFACTURERS EXCISE*
18 *TAX.*—

19 (1) *IN GENERAL.*—*Section 4221(a) (relating to*
20 *certain tax-free sales) is amended by striking “or” at*
21 *the end of paragraph (4), by adding “or” at the end*
22 *of paragraph (5), and by inserting after paragraph*
23 *(5) the following new paragraph:*



1 “(6) to a qualified blood collector organization
2 (as defined in section 7701(a)(48)) for such organiza-
3 tion’s exclusive use.”.

4 (2) *CONFORMING AMENDMENTS.*—

5 (A) *The second sentence of section 4221(a)*
6 *is amended by striking “Paragraphs (4) and*
7 *(5)” and inserting “Paragraphs (4), (5), and*
8 *(6)”.*

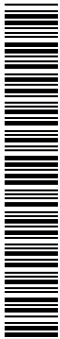
9 (B) *Section 6421(c) is amended by striking*
10 *“or (5)” and inserting “(5), or (6)”.*

11 (c) *EXEMPTION FROM COMMUNICATION EXCISE*
12 *TAX.*—

13 (1) *IN GENERAL.*—*Section 4253 (relating to ex-*
14 *emptions) is amended by redesignating subsection (k)*
15 *as subsection (l) and inserting after subsection (j) the*
16 *following new subsection:*

17 “(k) *EXEMPTION FOR QUALIFIED BLOOD COLLECTOR*
18 *ORGANIZATIONS.*—*Under regulations provided by the Sec-*
19 *retary, no tax shall be imposed under section 4251 on any*
20 *amount paid by a qualified blood collector organization (as*
21 *defined in section 7701(a)(48)) for services or facilities fur-*
22 *nished to such organization.”.*

23 (2) *CONFORMING AMENDMENT.*—*Section 4253(l),*
24 *as redesignated by paragraph (1), is amended by*
25 *striking “or (j)” and inserting “(j), or (k)”.*



1 (d) *CREDIT FOR REFUND FOR CERTAIN TAXES ON*
2 *SALES AND SERVICES.—*

3 (1) *DEEMED OVERPAYMENT.—*

4 (A) *IN GENERAL.—*Section 6416(b)(2) is
5 *amended by redesignating subparagraphs (E)*
6 *and (F) as subparagraphs (F) and (G), respec-*
7 *tively, and by inserting after subparagraph (D)*
8 *the following new subparagraph:*

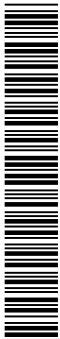
9 “(E) sold to a qualified blood collector orga-
10 *nization (as defined in section 7701(a)(48)) for*
11 *such organization’s exclusive use;”.*

12 (B) *CONFORMING AMENDMENTS.—*Section
13 *6416(b)(2) is amended—*

14 (i) *by striking “Subparagraphs (C)*
15 *and (D)” and inserting “Subparagraphs*
16 *(C), (D), and (E)”, and*

17 (ii) *by striking “(C), and (D)” and in-*
18 *serting “(C), (D), and (E)”.*

19 (2) *SALES OF TIRES.—*Clause (ii) of section
20 *6416(b)(4)(B) is amended by inserting “sold to a*
21 *qualified blood collector organization (as defined in*
22 *section 7701(a)(48)) for its exclusive use,” after “for*
23 *its exclusive use,”.*



1 (e) *DEFINITION OF QUALIFIED BLOOD COLLECTOR*
2 *ORGANIZATION.*—Section 7701(a) is amended by inserting
3 at the end the following new paragraph:

4 “(48) *QUALIFIED BLOOD COLLECTOR ORGANIZA-*
5 *TION.*—The term ‘qualified blood collector organiza-
6 *tion’ means an organization which is—*

7 “(A) *described in section 501(c)(3) and ex-*
8 *empt from tax under section 501(a),*

9 “(B) *registered by the Food and Drug Ad-*
10 *ministration to collect blood, and*

11 “(C) *primarily engaged in the activity of*
12 *the collection of blood.”.*

13 (f) *EFFECTIVE DATE.*—The amendments made by this
14 section shall take effect on January 1, 2004.

15 **SEC. 112. NONRECOGNITION OF GAIN ON THE SALE OF**
16 **PROPERTY USED IN PERFORMANCE OF AN**
17 **EXEMPT FUNCTION.**

18 (a) *IN GENERAL.*—Subparagraph (D) of section
19 512(a)(3) is amended to read as follows:

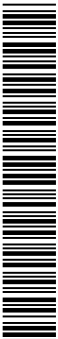
20 “(D) *NONRECOGNITION OF GAIN.*—

21 “(i) *IN GENERAL.*—If property used
22 directly in the performance of the exempt
23 function of an organization described in
24 paragraph (7), (9), (17), or (20) of section
25 501(c) is sold by such organization, and



1 *within a period beginning 1 year before the*
2 *date of such sale, and ending 3 years (10*
3 *years, in the case of an organization de-*
4 *scribed in section 501(c)(7)) after such date,*
5 *other property is purchased and used by*
6 *such organization directly in the perform-*
7 *ance of its exempt function, gain (if any)*
8 *from such sale shall be recognized only to*
9 *the extent that such organization's sales*
10 *price of the old property exceeds the organi-*
11 *zation's cost of purchasing the other prop-*
12 *erty.*

13 “(ii) *STATUTE OF LIMITATIONS.*—*If an*
14 *organization described in section 501(c)(7)*
15 *sells property on which gain is not recog-*
16 *nized, in whole or in part, by reason of*
17 *clause (i), then the statutory period for the*
18 *assessment of any deficiency attributable to*
19 *such gain shall not expire until the end of*
20 *the 3-year period beginning on the date that*
21 *the Secretary is notified by such organiza-*
22 *tion (in such manner as the Secretary may*
23 *prescribe) that—*



1 “(I) the organization has met the
2 requirements of clause (i) with respect
3 to gain which was not recognized,

4 “(II) the organization does not in-
5 tend to meet such requirements, or

6 “(III) the organization failed to
7 meet such requirements within the pre-
8 scribed period.

9 For the purposes of this clause, any defi-
10 ciency may be assessed before the expiration
11 of such 3-year period notwithstanding the
12 provisions of any other law or rule of law
13 which would otherwise prevent such assess-
14 ment.

15 “(iii) *DESTRUCTION AND LOSS.*—For
16 purposes of this subparagraph, the destruc-
17 tion in whole or in part, theft, seizure, req-
18 uisition, or condemnation of property, shall
19 be treated as the sale of such property, and
20 rules similar to the rules provided by sub-
21 sections (b), (c), (e), and (j) of section 1034
22 (as in effect on the day before the date of the
23 enactment of the Taxpayer Relief Act of
24 1997) shall apply.”.



1 (b) *EFFECTIVE DATE.*—*The amendment made by this*
2 *section shall apply with respect to the sale of any property*
3 *for which the 3-year period for offsetting gain by pur-*
4 *chasing other property under subparagraph (D) of section*
5 *512(a)(3) of the Internal Revenue Code (as in effect on the*
6 *day before the date of the enactment of this Act) had not*
7 *expired as of January 1, 2001.*

8 **SEC. 113. EXEMPTION OF QUALIFIED 501(c)(3) BONDS FOR**
9 **NURSING HOMES FROM FEDERAL GUAR-**
10 **ANTEE PROHIBITIONS.**

11 (a) *IN GENERAL.*—*For purposes of section 149(b)(1)*
12 *of the Internal Revenue Code of 1986, any qualified*
13 *501(c)(3) bond (as defined in section 145 of such Code) shall*
14 *not be treated as federally guaranteed solely because such*
15 *bond is part of an issue supported by a letter of credit,*
16 *if such bond—*

17 (1) *is issued after December 31, 2003, and before*
18 *the date which is 1 year after the date of the enact-*
19 *ment of this Act, and*

20 (2) *is part of an issue 95 percent or more of the*
21 *net proceeds of which are to be used to finance 1 or*
22 *more of the following facilities primarily for the ben-*
23 *efit of the elderly:*

24 (A) *Licensed nursing home facility.*



1 (B) *Licensed or certified assisted living fa-*
2 *cility.*

3 (C) *Licensed personal care facility.*

4 (D) *Continuing care retirement community.*

5 (b) *LIMITATION ON ISSUER.—Subsection (a) shall not*
6 *apply to any bond described in such subsection if the aggre-*
7 *gate authorized face amount of the issue of which such bond*
8 *is a part, when increased by the outstanding amount of*
9 *such bonds issued by the issuer during the period described*
10 *in subsection (a)(1) exceeds \$15,000,000.*

11 (c) *LIMITATION ON BENEFICIARY.—Rules similar to*
12 *the rules of section 144(a)(10) of the Internal Revenue Code*
13 *of 1986 shall apply for purposes of this section, except*
14 *that—*

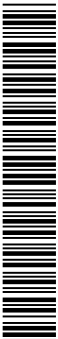
15 (1) *“\$15,000,000” shall be substituted for*
16 *“\$40,000,000” in subparagraph (A) thereof, and*

17 (2) *such rules shall be applied—*

18 (A) *only with respect to bonds described in*
19 *this section, and*

20 (B) *with respect to the aggregate authorized*
21 *face amount of all issues of such bonds which are*
22 *allocable to the beneficiary.*

23 (d) *CONTINUING CARE RETIREMENT COMMUNITY.—*
24 *For purposes of this section, the term “continuing care re-*
25 *tirement community” means a community which provides,*



1 *on the same campus, a consortium of residential living op-*
2 *tions and support services to persons at least 60 years of*
3 *age under a written agreement. For purposes of the pre-*
4 *ceding sentence, the residential living options shall include*
5 *independent living units, nursing home beds, and either as-*
6 *sisted living units or personal care beds.*

7 ***TITLE II—TAX REFORM AND IM-***
8 ***PROVEMENTS RELATING TO***
9 ***CHARITABLE ORGANIZATIONS***
10 ***AND PROGRAMS***

11 ***SEC. 201. SUSPENSION OF TAX-EXEMPT STATUS OF TER-***
12 ***RORIST ORGANIZATIONS.***

13 *(a) IN GENERAL.—Section 501 (relating to exemption*
14 *from tax on corporations, certain trusts, etc.) is amended*
15 *by redesignating subsection (p) as subsection (q) and by in-*
16 *serting after subsection (o) the following new subsection:*

17 *“(p) SUSPENSION OF TAX-EXEMPT STATUS OF TER-*
18 *RORIST ORGANIZATIONS.—*

19 *“(1) IN GENERAL.—The exemption from tax*
20 *under subsection (a) with respect to any organization*
21 *described in paragraph (2), and the eligibility of any*
22 *organization described in paragraph (2) to apply for*
23 *recognition of exemption under subsection (a), shall*
24 *be suspended during the period described in para-*
25 *graph (3).*



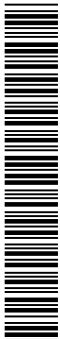
1 “(2) *TERRORIST ORGANIZATIONS.*—*An organiza-*
2 *tion is described in this paragraph if such organiza-*
3 *tion is designated or otherwise individually*
4 *identified—*

5 “(A) *under section 212(a)(3)(B)(vi)(II) or*
6 *219 of the Immigration and Nationality Act as*
7 *a terrorist organization or foreign terrorist orga-*
8 *nization,*

9 “(B) *in or pursuant to an Executive order*
10 *which is related to terrorism and issued under*
11 *the authority of the International Emergency*
12 *Economic Powers Act or section 5 of the United*
13 *Nations Participation Act of 1945 for the pur-*
14 *pose of imposing on such organization an eco-*
15 *nomie or other sanction, or*

16 “(C) *in or pursuant to an Executive order*
17 *issued under the authority of any Federal law*
18 *if—*

19 “(i) *the organization is designated or*
20 *otherwise individually identified in or pur-*
21 *suant to such Executive order as supporting*
22 *or engaging in terrorist activity (as defined*
23 *in section 212(a)(3)(B) of the Immigration*
24 *and Nationality Act) or supporting ter-*
25 *rorism (as defined in section 140(d)(2) of*



1 *the Foreign Relations Authorization Act,*
2 *Fiscal Years 1988 and 1989); and*

3 “(ii) *such Executive order refers to this*
4 *subsection.*

5 “(3) *PERIOD OF SUSPENSION.—With respect to*
6 *any organization described in paragraph (2), the pe-*
7 *riod of suspension—*

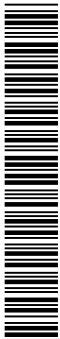
8 “(A) *begins on the later of—*

9 “(i) *the date of the first publication of*
10 *a designation or identification described in*
11 *paragraph (2) with respect to such organi-*
12 *zation, or*

13 “(ii) *the date of the enactment of this*
14 *subsection, and*

15 “(B) *ends on the first date that all designa-*
16 *tions and identifications described in paragraph*
17 *(2) with respect to such organization are re-*
18 *scinded pursuant to the law or Executive order*
19 *under which such designation or identification*
20 *was made.*

21 “(4) *DENIAL OF DEDUCTION.—No deduction*
22 *shall be allowed under section 170, 545(b)(2),*
23 *556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 for any*
24 *contribution to an organization described in para-*



1 *graph (2) during the period described in paragraph*
2 *(3).*

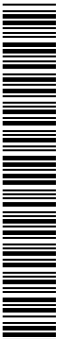
3 “(5) *DENIAL OF ADMINISTRATIVE OR JUDICIAL*
4 *CHALLENGE OF SUSPENSION OR DENIAL OF DEDUC-*
5 *TION.—Notwithstanding section 7428 or any other*
6 *provision of law, no organization or other person may*
7 *challenge a suspension under paragraph (1), a des-*
8 *ignation or identification described in paragraph (2),*
9 *the period of suspension described in paragraph (3),*
10 *or a denial of a deduction under paragraph (4) in*
11 *any administrative or judicial proceeding relating to*
12 *the Federal tax liability of such organization or other*
13 *person.*

14 “(6) *ERRONEOUS DESIGNATION.—*

15 “(A) *IN GENERAL.—If—*

16 “(i) *the tax exemption of any organi-*
17 *zation described in paragraph (2) is sus-*
18 *pended under paragraph (1),*

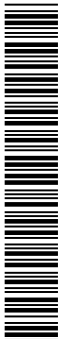
19 “(ii) *each designation and identifica-*
20 *tion described in paragraph (2) which has*
21 *been made with respect to such organization*
22 *is determined to be erroneous pursuant to*
23 *the law or Executive order under which*
24 *such designation or identification was*
25 *made, and*



1 “(iii) the erroneous designations and
2 identifications result in an overpayment of
3 income tax for any taxable year by such or-
4 ganization,
5 credit or refund (with interest) with respect to
6 such overpayment shall be made.

7 “(B) WAIVER OF LIMITATIONS.—If the cred-
8 it or refund of any overpayment of tax described
9 in subparagraph (A)(iii) is prevented at any
10 time by the operation of any law or rule of law
11 (including *res judicata*), such credit or refund
12 may nevertheless be allowed or made if the claim
13 therefor is filed before the close of the 1-year pe-
14 riod beginning on the date of the last determina-
15 tion described in subparagraph (A)(ii).

16 “(7) NOTICE OF SUSPENSIONS.—If the tax ex-
17 emption of any organization is suspended under this
18 subsection, the Internal Revenue Service shall update
19 the listings of tax-exempt organizations and shall
20 publish appropriate notice to taxpayers of such sus-
21 pension and of the fact that contributions to such or-
22 ganization are not deductible during the period of
23 such suspension.”.



1 (b) *EFFECTIVE DATE.*—*The amendments made by this*
2 *section shall apply to designations made before, on, or after*
3 *the date of the enactment of this Act.*

4 **SEC. 202. CLARIFICATION OF DEFINITION OF CHURCH TAX**
5 **INQUIRY.**

6 Subsection (i) of section 7611 (relating to section not
7 to apply to criminal investigations, etc.) is amended by
8 striking “or” at the end of paragraph (4), by striking the
9 period at the end of paragraph (5) and inserting “; or”,
10 and by inserting after paragraph (5) the following:

11 “(6) information provided by the Secretary re-
12 lated to the standards for exemption from tax under
13 this title and the requirements under this title relat-
14 ing to unrelated business taxable income.”.

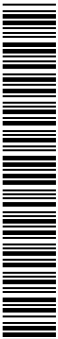
15 **SEC. 203. EXTENSION OF DECLARATORY JUDGMENT REM-**
16 **EDY TO TAX-EXEMPT ORGANIZATIONS.**

17 (a) *IN GENERAL.*—Paragraph (1) of section 7428(a)
18 (relating to creation of remedy) is amended—

19 (1) in subparagraph (B) by inserting after
20 “509(a))” the following: “or as a private operating
21 foundation (as defined in section 4942(j)(3))”; and

22 (2) by amending subparagraph (C) to read as
23 follows:

24 “(C) with respect to the initial qualification
25 or continuing qualification of an organization as



1 *an organization described in subsection (c)*
2 *(other than paragraph (3)) or (d) of section 501*
3 *which is exempt from tax under section 501(a),*
4 *or”.*

5 **(b) COURT JURISDICTION.**—*Subsection (a) of section*
6 *7428 is amended in the material following paragraph (2)*
7 *by striking “United States Tax Court, the United States*
8 *Claims Court, or the district court of the United States for*
9 *the District of Columbia” and inserting the following:*
10 *“United States Tax Court (in the case of any such deter-*
11 *mination or failure) or the United States Claims Court or*
12 *the district court of the United States for the District of*
13 *Columbia (in the case of a determination or failure with*
14 *respect to an issue referred to in subparagraph (A) or (B)*
15 *of paragraph (1)),”.*

16 **(c) EFFECTIVE DATE.**—*The amendments made by this*
17 *section shall apply to pleadings filed with respect to deter-*
18 *minations (or requests for determinations) made after the*
19 *date of the enactment of this Act.*

20 **SEC. 204. LANDOWNER INCENTIVES PROGRAMS.**

21 **(a) IN GENERAL.**—*Subsection (a) of section 126 is*
22 *amended by redesignating paragraph (10) as paragraph*
23 *(11) and by inserting after paragraph (9) the following new*
24 *paragraph:*



1 “(10) *Landowner initiatives programs to con-*
2 *serve threatened, endangered, or imperiled species, or*
3 *protect or restore habitat carried out under—*

4 “(A) *the Fish and Wildlife Coordination*
5 *Act (16 U.S.C. 661 et seq.),*

6 “(B) *the Fish and Wildlife Act of 1956 (16*
7 *U.S.C. 742f), or*

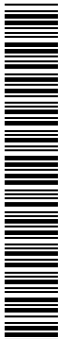
8 “(C) *section 6 of the Endangered Species*
9 *Act (16 U.S.C. 11531 et seq.).”.*

10 (b) *EXCLUDABLE PORTION.*—Subparagraph (A) of sec-
11 *tion 126(b)(1) is amended by inserting after “Secretary of*
12 *Agriculture” the following: “(the Secretary of the Interior,*
13 *in the case of the landowner incentives programs described*
14 *in subsection (a)(10) and the programs described in sub-*
15 *section (a)(11) that are implemented by the Department of*
16 *the Interior)”.*

17 (c) *EFFECTIVE DATE.*—The amendments made by this
18 *section shall apply to amounts received after December 31,*
19 *2003, in taxable years ending after such date.*

20 **SEC. 205. MODIFICATIONS TO SECTION 512(b)(13).**

21 (a) *IN GENERAL.*—Paragraph (13) of section 512(b)
22 *(relating to special rules for certain amounts received from*
23 *controlled entities) is amended by redesignating subpara-*
24 *graph (E) as subparagraph (F) and by inserting after sub-*
25 *paragraph (D) the following new subparagraph:*



1 “(E) *PARAGRAPH TO APPLY ONLY TO EX-*
2 *CESS PAYMENTS.—*

3 “(i) *IN GENERAL.—Subparagraph (A)*
4 *shall apply only to the portion of a speci-*
5 *fied payment received or accrued by the*
6 *controlling organization that exceeds the*
7 *amount which would have been paid or ac-*
8 *crued if such payment met the requirements*
9 *prescribed under section 482.*

10 “(ii) *ADDITION TO TAX FOR VALUATION*
11 *MISSTATEMENTS.—The tax imposed by this*
12 *chapter on the controlling organization*
13 *shall be increased by an amount equal to 20*
14 *percent of the larger of—*

15 “(I) *such excess determined with-*
16 *out regard to any amendment or sup-*
17 *plement to a return of tax, or*

18 “(II) *such excess determined with*
19 *regard to all such amendments and*
20 *supplements.”.*

21 (b) *EFFECTIVE DATE.—*

22 (1) *IN GENERAL.—The amendment made by this*
23 *section shall apply to payments received or accrued*
24 *after December 31, 2003.*

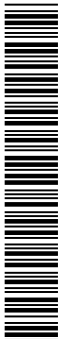


1 (2) *PAYMENTS SUBJECT TO BINDING CONTRACT*
2 *TRANSITION RULE.—If the amendments made by sec-*
3 *tion 1041 of the Taxpayer Relief Act of 1997 did not*
4 *apply to any amount received or accrued in the first*
5 *2 taxable years beginning on or after the date of the*
6 *enactment of the Taxpayer Relief Act of 1997 under*
7 *any contract described in subsection (b)(2) of such*
8 *section, such amendments also shall not apply to*
9 *amounts received or accrued under such contract be-*
10 *fore January 1, 2001.*

11 **SEC. 206. SIMPLIFICATION OF LOBBYING EXPENDITURE**
12 **LIMITATION.**

13 (a) *REPEAL OF GRASSROOTS EXPENDITURE LIMIT.—*
14 *Paragraph (1) of section 501(h) (relating to expenditures*
15 *by public charities to influence legislation) is amended to*
16 *read as follows:*

17 “(1) *GENERAL RULE.—In the case of an organi-*
18 *zation to which this subsection applies, exemption*
19 *from taxation under subsection (a) shall be denied be-*
20 *cause a substantial part of the activities of such orga-*
21 *nization consists of carrying on propaganda, or oth-*
22 *erwise attempting, to influence legislation, but only if*
23 *such organization normally makes lobbying expendi-*
24 *tures in excess of the lobbying ceiling amount for such*
25 *organization for each taxable year.”.*



1 (b) *EXCESS LOBBYING EXPENDITURES.*—Section
2 4911(b) is amended to read as follows:

3 “(b) *EXCESS LOBBYING EXPENDITURES.*—For pur-
4 poses of this section, the term ‘excess lobbying expenditures’
5 means, for a taxable year, the amount by which the lobbying
6 expenditures made by the organization during the taxable
7 year exceed the lobbying nontaxable amount for such orga-
8 nization for such taxable year.”.

9 (c) *CONFORMING AMENDMENTS.*—

10 (1) Section 501(h)(2) is amended by striking
11 subparagraphs (C) and (D).

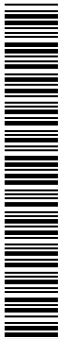
12 (2) Section 4911(c) is amended by striking para-
13 graphs (3) and (4).

14 (3) Paragraph (1)(A) of section 4911(f) is
15 amended by striking “limits of section 501(h)(1)
16 have” and inserting “limit of section 501(h)(1) has”.

17 (4) Paragraph (1)(C) of section 4911(f) is
18 amended by striking “limits of section 501(h)(1) are”
19 and inserting “limit of section 501(h)(1) is”.

20 (5) Paragraphs (4)(A) and (4)(B) of section
21 4911(f) are each amended by striking “limits of sec-
22 tion 501(h)(1)” and inserting “limit of section
23 501(h)(1)”.

24 (6) Paragraph (8) of section 6033(b) (relating to
25 certain organizations described in section 501(c)(3))



1 *is amended by inserting “and” at the end of subpara-*
2 *graph (A) and by striking subparagraphs (C) and*
3 *(D).*

4 *(d) EFFECTIVE DATE.—The amendments made by this*
5 *section shall apply to taxable years beginning after Decem-*
6 *ber 31, 2003.*

7 **SEC. 207. PILOT PROJECT FOR FOREST CONSERVATION AC-**
8 **TIVITIES.**

9 *(a) TAX-EXEMPT BOND FINANCING.—*

10 *(1) IN GENERAL.—For purposes of the Internal*
11 *Revenue Code of 1986, any qualified forest conserva-*
12 *tion bond shall be treated as an exempt facility bond*
13 *under section 142 of such Code.*

14 *(2) QUALIFIED FOREST CONSERVATION BOND.—*
15 *For purposes of this section, the term “qualified forest*
16 *conservation bond” means any bond issued as part of*
17 *an issue if—*

18 *(A) 95 percent or more of the net proceeds*
19 *(as defined in section 150(a)(3) of such Code) of*
20 *such issue are to be used for qualified project*
21 *costs,*

22 *(B) such bond is an obligation of the State*
23 *of Washington or any political subdivision there-*
24 *of, and*



1 (C) such bond is issued for a qualified orga-
2 nization before December 31, 2006.

3 (3) *LIMITATION ON AGGREGATE AMOUNT*
4 *ISSUED.*—The maximum aggregate face amount of
5 bonds which may be issued under this subsection shall
6 not exceed \$250,000,000.

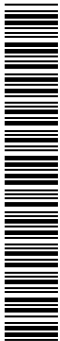
7 (4) *QUALIFIED PROJECT COSTS.*—For purposes
8 of this subsection, the term “qualified project costs”
9 means the sum of—

10 (A) the cost of acquisition by the qualified
11 organization from an unrelated person of forests
12 and forest land located in the State of Wash-
13 ington which at the time of acquisition or imme-
14 diately thereafter are subject to a conservation
15 restriction described in subsection (c)(2),

16 (B) interest on the qualified forest conserva-
17 tion bonds for the 3-year period beginning on the
18 date of issuance of such bonds, and

19 (C) credit enhancement fees which constitute
20 qualified guarantee fees (within the meaning of
21 section 148 of such Code).

22 (5) *SPECIAL RULES.*—In applying the Internal
23 Revenue Code of 1986 to any qualified forest con-
24 servation bond, the following modifications shall
25 apply:



1 (A) *Section 146 of such Code (relating to*
2 *volume cap) shall not apply.*

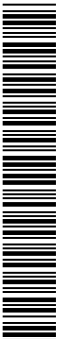
3 (B) *For purposes of section 147(b) of such*
4 *Code (relating to maturity may not exceed 120*
5 *percent of economic life), the land and standing*
6 *timber acquired with proceeds of qualified forest*
7 *conservation bonds shall have an economic life of*
8 *35 years.*

9 (C) *Subsections (c) and (d) of section 147*
10 *of such Code (relating to limitations on acquisi-*
11 *tion of land and existing property) shall not*
12 *apply.*

13 (D) *Section 57(a)(5) of such Code (relating*
14 *to tax-exempt interest) shall not apply to interest*
15 *on qualified forest conservation bonds.*

16 (6) *TREATMENT OF CURRENT REFUNDING*
17 *BONDS.—Paragraphs (2)(C) and (3) shall not apply*
18 *to any bond (or series of bonds) issued to refund a*
19 *qualified forest conservation bond issued before De-*
20 *cember 31, 2006, if—*

21 (A) *the average maturity date of the issue*
22 *of which the refunding bond is a part is not later*
23 *than the average maturity date of the bonds to*
24 *be refunded by such issue,*



1 (B) the amount of the refunding bond does
2 not exceed the outstanding amount of the re-
3 funded bond, and

4 (C) the net proceeds of the refunding bond
5 are used to redeem the refunded bond not later
6 than 90 days after the date of the issuance of the
7 refunding bond.

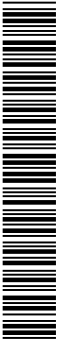
8 For purposes of subparagraph (A), average maturity
9 shall be determined in accordance with section
10 147(b)(2)(A) of such Code.

11 (7) *EFFECTIVE DATE.*—This subsection shall
12 apply to obligations issued on or after the date of en-
13 actment of this Act.

14 (b) *ITEMS FROM QUALIFIED HARVESTING ACTIVITIES*
15 *NOT SUBJECT TO TAX OR TAKEN INTO ACCOUNT.*—

16 (1) *IN GENERAL.*—Income, gains, deductions,
17 losses, or credits from a qualified harvesting activity
18 conducted by a qualified organization shall not be
19 subject to tax or taken into account under subtitle A
20 of the Internal Revenue Code of 1986.

21 (2) *LIMITATION.*—The amount of income ex-
22 cluded from gross income under paragraph (1) for
23 any taxable year shall not exceed the amount used by
24 the qualified organization to make debt service pay-



1 *ments during such taxable year for qualified forest*
2 *conservation bonds.*

3 (3) *QUALIFIED HARVESTING ACTIVITY.—For*
4 *purposes of paragraph (1)—*

5 (A) *IN GENERAL.—The term “qualified har-*
6 *vesting activity” means the sale, lease, or har-*
7 *vesting, of standing timber—*

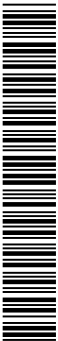
8 (i) *on land owned by a qualified orga-*
9 *nization which was acquired with proceeds*
10 *of qualified forest conservation bonds, and*

11 (ii) *pursuant to a qualified conserva-*
12 *tion plan adopted by the qualified organiza-*
13 *tion.*

14 (B) *EXCEPTIONS.—*

15 (i) *CESSATION AS QUALIFIED ORGANI-*
16 *ZATION.—The term “qualified harvesting*
17 *activity” shall not include any sale, lease,*
18 *or harvesting for any period during which*
19 *the organization ceases to qualify as a*
20 *qualified organization.*

21 (ii) *EXCEEDING LIMITS ON HAR-*
22 *VESTING.—The term “qualified harvesting*
23 *activity” shall not include any sale, lease,*
24 *or harvesting of standing timber on land*



1 *acquired with proceeds of qualified forest*
2 *conservation bonds to the extent that—*

3 *(I) the average annual area of*
4 *timber harvested from such land ex-*
5 *ceeds 2.5 percent of the total area of*
6 *such land, or*

7 *(II) the quantity of timber re-*
8 *moved from such land exceeds the*
9 *quantity which can be removed from*
10 *such land annually in perpetuity on a*
11 *sustained-yield basis with respect to*
12 *such land.*

13 *The limitations under subclauses (I) and*
14 *(II) shall not apply to post-fire restoration*
15 *and rehabilitation or sanitation harvesting*
16 *of timber stands which are substantially*
17 *damaged by fire, windthrow, or other catas-*
18 *trophes, or which are in imminent danger*
19 *from insect or disease attack.*

20 *(4) TERMINATION.—This subsection shall not*
21 *apply to any qualified harvesting activity occurring*
22 *after the date on which there is no outstanding quali-*
23 *fied forest conservation bond or any such bond ceases*
24 *to be a tax-exempt bond.*



1 (5) *PARTIAL RECAPTURE OF BENEFITS IF HAR-*
2 *VESTING LIMIT EXCEEDED.*—*If, as of the date that*
3 *this subsection ceases to apply under paragraph (4),*
4 *the average annual area of timber harvested from the*
5 *land exceeds the requirement of paragraph*
6 *(3)(B)(ii)(I), the tax imposed by chapter 1 of such*
7 *Code shall be increased, under rules prescribed by the*
8 *Secretary of the Treasury, by the sum of the tax bene-*
9 *fits attributable to such excess and interest at the un-*
10 *derpayment rate under section 6621 of such Code for*
11 *the period of the underpayment.*

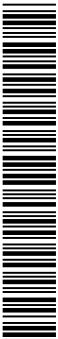
12 (c) *DEFINITIONS.*—*For purposes of this section—*

13 (1) *QUALIFIED CONSERVATION PLAN.*—*The term*
14 *“qualified conservation plan” means a multiple land*
15 *use program or plan which—*

16 (A) *is designed and administered primarily*
17 *for the purposes of protecting and enhancing*
18 *wildlife and fish, timber, scenic attributes, recre-*
19 *ation, and soil and water quality of the forest*
20 *and forest land,*

21 (B) *mandates that conservation of forest*
22 *and forest land is the single-most significant use*
23 *of the forest and forest land, and*

24 (C) *requires that timber harvesting be con-*
25 *sistent with—*



1 (i) restoring and maintaining reference
2 conditions for the region's ecotype,

3 (ii) restoring and maintaining a rep-
4 resentative sample of young, mid, and late
5 successional forest age classes,

6 (iii) maintaining or restoring the re-
7 sources' ecological health for purposes of
8 preventing damage from fire, insect, or dis-
9 ease,

10 (iv) maintaining or enhancing wildlife
11 or fish habitat, or

12 (v) enhancing research opportunities
13 in sustainable renewable resource uses.

14 (2) CONSERVATION RESTRICTION.—The conserva-
15 tion restriction described in this paragraph is a re-
16 striction which—

17 (A) is granted in perpetuity to an unrelated
18 person which is described in section 170(h)(3) of
19 such Code and which, in the case of a nongovern-
20 mental unit, is organized and operated for con-
21 servation purposes,

22 (B) meets the requirements of clause (ii) or
23 (iii)(II) of section 170(h)(4)(A) of such Code,

24 (C) obligates the qualified organization to
25 pay the costs incurred by the holder of the con-



1 *servation restriction in monitoring compliance*
2 *with such restriction, and*

3 *(D) requires an increasing level of conserva-*
4 *tion benefits to be provided whenever cir-*
5 *cumstances allow it.*

6 (3) *QUALIFIED ORGANIZATION.—The term*
7 *“qualified organization” means an organization—*

8 *(A) which is a nonprofit organization sub-*
9 *stantially all the activities of which are chari-*
10 *table, scientific, or educational, including ac-*
11 *quiring, protecting, restoring, managing, and de-*
12 *veloping forest lands and other renewable re-*
13 *sources for the long-term charitable, educational,*
14 *scientific and public benefit,*

15 *(B) more than half of the value of the prop-*
16 *erty of which consists of forests and forest land*
17 *acquired with the proceeds from qualified forest*
18 *conservation bonds,*

19 *(C) which periodically conducts educational*
20 *programs designed to inform the public of envi-*
21 *ronmentally sensitive forestry management and*
22 *conservation techniques,*

23 *(D) which has at all times a board of*
24 *directors—*



1 (i) at least 20 percent of the members
2 of which represent the holders of the con-
3 servation restriction described in paragraph
4 (2),

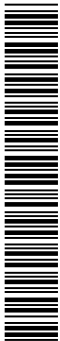
5 (ii) at least 20 percent of the members
6 of which are public officials, and

7 (iii) not more than one-third of the
8 members of which are individuals who are
9 or were at any time within 5 years before
10 the beginning of a term of membership on
11 the board, an employee of, independent con-
12 tractor with respect to, officer of, director of,
13 or held a material financial interest in, a
14 commercial forest products enterprise with
15 which the qualified organization has a con-
16 tractual or other financial arrangement,

17 (E) the bylaws of which require at least
18 two-thirds of the members of the board of direc-
19 tors to vote affirmatively to approve the qualified
20 conservation plan and any change thereto, and

21 (F) upon dissolution, is required to dedicate
22 its assets to—

23 (i) an organization described in section
24 501(c)(3) of such Code which is organized
25 and operated for conservation purposes, or



1 (ii) a governmental unit described in
2 section 170(c)(1) of such Code.

3 (4) *UNRELATED PERSON.*—The term “unrelated
4 person” means a person who is not a related person.

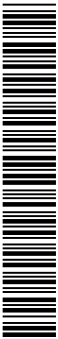
5 (5) *RELATED PERSON.*—A person shall be treat-
6 ed as related to another person if—

7 (A) such person bears a relationship to such
8 other person described in section 267(b) (deter-
9 mined without regard to paragraph (9) thereof),
10 or 707(b)(1), of such Code, determined by sub-
11 stituting “25 percent” for “50 percent” each
12 place it appears therein, and

13 (B) in the case such other person is a non-
14 profit organization, if such person controls di-
15 rectly or indirectly more than 25 percent of the
16 governing body of such organization.

17 (d) *REPORT.*—

18 (1) *IN GENERAL.*—The Comptroller General of
19 the United States shall conduct a study on the pilot
20 project for forest conservation activities under this
21 section. Such study shall examine the extent to which
22 forests and forest lands were managed during the 5-
23 year period beginning on the date of the enactment of
24 this Act to achieve the goals of such project.



1 (2) *SUBMISSION OF REPORT TO CONGRESS.*—Not
2 *later than six years after the date of the enactment*
3 *of this Act, the Comptroller General shall submit a re-*
4 *port of such study to the Committee on Ways and*
5 *Means and the Committee on Resources of the House*
6 *of Representatives and the Committee on Finance and*
7 *the Committee on Energy and Natural Resources of*
8 *the Senate.*

9 ***TITLE III—OTHER PROVISIONS***

10 ***SEC. 301. COMPASSION CAPITAL FUND.***

11 *Title IV of the Social Security Act (42 U.S.C. 601–*
12 *679b) is amended by adding at the end the following:*

13 ***“PART F—COMPASSION CAPITAL FUND***

14 ***“SEC. 481. SECRETARY’S FUND TO SUPPORT AND REP-***
15 ***LICATE PROMISING SOCIAL SERVICE PRO-***
16 ***GRAMS.***

17 ***“(a) GRANT AUTHORITY.—***

18 ***“(1) IN GENERAL.—****The Secretary may make*
19 *grants to support any private entity that operates a*
20 *promising social services program.*

21 ***“(2) APPLICATIONS.—****An entity desiring to re-*
22 *ceive a grant under paragraph (1) shall submit to the*
23 *Secretary an application for the grant, which shall*
24 *contain such information as the Secretary may re-*
25 *quire.*



1 “(b) *CONTRACT AUTHORITY, ETC.—The Secretary*
2 *may enter into a grant, contract, or cooperative agreement*
3 *with any entity under which the entity would provide tech-*
4 *nical assistance to another entity to operate a social service*
5 *program that assists persons and families in need, includ-*
6 *ing by—*

7 “(1) *providing the other entity with—*

8 “(A) *technical assistance and information,*
9 *including legal assistance and other business as-*
10 *sistance;*

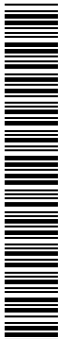
11 “(B) *information on capacity-building;*

12 “(C) *information and assistance in identi-*
13 *fying and using best practices for serving per-*
14 *sons and families in need; or*

15 “(D) *assistance in replicating programs*
16 *with demonstrated effectiveness in assisting per-*
17 *sons and families in need; or*

18 “(2) *supporting research on the best practices of*
19 *social service organizations.*

20 “(c) *GUIDANCE AND TECHNICAL ASSISTANCE.—The*
21 *Secretary may use not more than 25 percent of the amount*
22 *appropriated under this section for a fiscal year to provide*
23 *guidance and technical assistance to States and political*
24 *subdivisions of States with respect to the implementation*
25 *of any social service program.*



1 “(d) *SOCIAL SERVICES PROGRAM DEFINED.*—In this
2 section, the term ‘social services program’ means a program
3 that provides benefits or services of any kind to persons and
4 families in need.

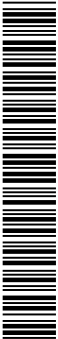
5 “(e) *LIMITATIONS ON AUTHORIZATION OF APPROPRIA-*
6 *TIONS.*—To carry out this section, there are authorized to
7 be appropriated to the Secretary \$150,000,000 for fiscal
8 year 2004, and such sums as may be necessary for fiscal
9 years 2005 through 2008.”.

10 **SEC. 302. REAUTHORIZATION OF ASSETS FOR INDEPEND-**
11 **ENCE DEMONSTRATION.**

12 (a) *IN GENERAL.*—Section 416 of the Assets for Inde-
13 pendence Act (title IV of Public Law 105–285; 42 U.S.C.
14 604 note) is amended by striking “and 2003” and inserting
15 “2003, 2004, 2005, 2006, 2007, and 2008”.

16 (b) *REMOVAL OF ECONOMIC LITERACY ACTIVITIES*
17 *FROM LIMITATION ON USE OF AMOUNTS IN THE RESERVE*
18 *FUND.*—Section 407(c)(3) of such Act (title IV of Public
19 Law 105–285; 42 U.S.C. 604 note) is amended by adding
20 at the end the following: “The preceding sentences of this
21 paragraph shall not apply to amounts used by an entity
22 for any activity described in paragraph (1)(A).”.

23 (c) *ELIGIBILITY EXPANDED TO INCLUDE INDIVIDUALS*
24 *IN HOUSEHOLDS WITH INCOME NOT EXCEEDING 50 PER-*
25 *CENT OF AREA MEDIAN INCOME.*—Section 408(a)(1) of



1 *such Act (title IV of Public Law 105–285; 42 U.S.C. 604*
2 *note) is amended to read as follows:*

3 “(1) *INCOME TEST.*—*The adjusted gross income*
4 *of the household—*

5 “(A) *does not exceed 200 percent of the pov-*
6 *erty line (as determined by the Office of Manage-*
7 *ment and Budget) or the earned income amount*
8 *described in section 32 of the Internal Revenue*
9 *Code of 1986 (taking into account the size of the*
10 *household); or*

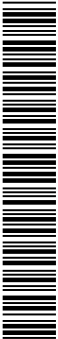
11 “(B) *does not exceed 50 percent of the area*
12 *median income (as determined by the Secretary*
13 *of Housing and Urban Development) for the area*
14 *in which the household is located.”.*

15 (d) *EXTENSION OF TIME FOR ACCOUNT HOLDERS TO*
16 *ACCESS FEDERAL FUNDS.*—*Section 407(d) of such Act*
17 *(title IV of Public Law 105–285; 42 U.S.C. 604 note) is*
18 *amended—*

19 (1) *in the subsection heading, by striking*
20 *“WHEN PROJECT TERMINATES”; and*

21 (2) *by striking “upon” and inserting “on the*
22 *date that is 6 months after”.*

23 (e) *VERIFICATION OF POSTSECONDARY EDUCATION*
24 *EXPENSES.*—*Section 404(8)(A) of such Act (title IV of Pub-*
25 *lic Law 105–285; 42 U.S.C. 604 note) is amended in the*



1 *1st sentence by inserting “or a vendor, but only to the extent*
2 *that the expenses are described in a document which ex-*
3 *plains the educational items to be purchased, and the docu-*
4 *ment and the expenses are approved by the qualified entity”*
5 *before the period.*

6 *(f) AUTHORITY TO USE EXCESS INTEREST TO FUND*
7 *OTHER INDIVIDUAL DEVELOPMENT ACCOUNTS.—Section*
8 *410 of such Act (title IV of Public Law 105–285; 42 U.S.C.*
9 *604 note) is amended—*

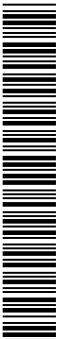
10 *(1) in subsection (a)(3)—*

11 *(A) by striking “any interest that has ac-*
12 *crued” and inserting “interest that has accrued*
13 *during that period”; and*

14 *(B) by striking the period and inserting “,*
15 *but only to the extent that the amount of the in-*
16 *terest does not exceed the amount of interest that*
17 *has accrued during that period on amounts de-*
18 *posited in the account by that individual.”; and*

19 *(2) by adding at the end the following:*

20 *“(f) USE OF EXCESS INTEREST TO FUND OTHER INDIVIDUAL DEVELOPMENT ACCOUNTS.—To the extent that a*
21 *qualified entity has an amount that, but for the limitation*
22 *in subsection (a)(3), would be required by that subsection*
23 *to be deposited into the individual development account of*
24 *an individual or into a parallel account maintained by the*
25



1 *qualified entity, the qualified entity may deposit the*
2 *amount into the individual development account of any in-*
3 *dividual or into any such parallel account maintained by*
4 *the qualified entity.”.*

5 **SEC. 303. SENSE OF THE CONGRESS REGARDING COR-**
6 **PORATE CONTRIBUTIONS TO FAITH-BASED**
7 **ORGANIZATIONS, ETC.**

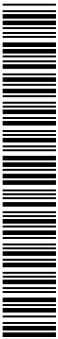
8 *(a) FINDINGS.—The Congress finds as follows:*

9 *(1) America’s community of faith has long*
10 *played a leading role in dealing with difficult societal*
11 *problems that might otherwise have gone unaddressed.*

12 *(2) President Bush has called upon Americans*
13 *“to revive the spirit of citizenship . . . to marshal the*
14 *compassion of our people to meet the continuing needs*
15 *of our Nation”.*

16 *(3) Although the work of faith-based organiza-*
17 *tions should not be used by government as an excuse*
18 *for backing away from its historic and rightful com-*
19 *mitment to help those who are disadvantaged and in*
20 *need, such organizations can and should be seen as a*
21 *valuable partner with government in meeting societal*
22 *challenges.*

23 *(4) Every day faith-based organizations in the*
24 *United States help people recover from drug and alco-*
25 *hol addiction, provide food and shelter for the home-*



1 less, rehabilitate prison inmates so that they can
2 break free from the cycle of recidivism, and teach peo-
3 ple job skills that will allow them to move from pov-
4 erty to productivity.

5 (5) Faith-based organizations are often more
6 successful in dealing with difficult societal problems
7 than government and non-sectarian organizations.

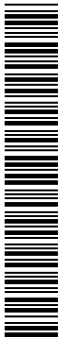
8 (6) As President Bush has stated, “It is not suf-
9 ficient to praise charities and community groups; we
10 must support them. And this is both a public obliga-
11 tion and a personal responsibility.”.

12 (7) Corporate foundations contribute billions of
13 dollars each year to a variety of philanthropic causes.

14 (8) According to a study produced by the Cap-
15 ital Research Center, the 10 largest corporate founda-
16 tions in the United States contributed \$1,900,000,000
17 to such causes.

18 (9) According to the same study, faith-based or-
19 ganizations only receive a small fraction of the con-
20 tributions made by corporations in the United States,
21 and 6 of the 10 corporations that give the most to
22 philanthropic causes explicitly ban or restrict con-
23 tributions to faith-based organizations.

24 (b) CORPORATIONS ENCOURAGED TO CONTRIBUTE TO
25 FAITH-BASED ORGANIZATIONS.—The Congress calls on cor-



1 *porations in the United States, in the words of the Presi-*
2 *dent, “to give more and to give better” by making greater*
3 *contributions to faith-based organizations that are on the*
4 *front lines battling some of the great societal challenges of*
5 *our day.*

6 *(c) SENSE OF THE CONGRESS.—It is the sense of Con-*
7 *gress that—*

8 *(1) corporations in the United States are impor-*
9 *tant partners with government in efforts to overcome*
10 *difficult societal problems; and*

11 *(2) no corporation in the United States should*
12 *adopt policies that prohibit the corporation from con-*
13 *tributing to an organization that is successfully ad-*
14 *vancing a philanthropic cause merely because such*
15 *organization is faith based.*

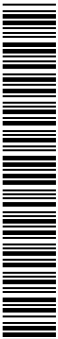
16 **SEC. 304. MATERNITY GROUP HOMES.**

17 *(a) PERMISSIBLE USE OF FUNDS.—Section 322 of the*
18 *Runaway and Homeless Youth Act (42 U.S.C. 5714–2) is*
19 *amended—*

20 *(1) in subsection (a)(1), by inserting “(including*
21 *maternity group homes)” after “group homes”; and*

22 *(2) by adding at the end the following:*

23 *“(c) MATERNITY GROUP HOME.—In this part, the*
24 *term ‘maternity group home’ means a community-based,*
25 *adult-supervised group home that provides—*



1 “(1) *young mothers and their children with a*
2 *supportive and supervised living arrangement in*
3 *which such mothers are required to learn parenting*
4 *skills, including child development, family budgeting,*
5 *health and nutrition, and other skills to promote their*
6 *long-term economic independence and the well-being*
7 *of their children; and*

8 “(2) *pregnant women with—*

9 “(A) *information regarding the option of*
10 *placing children for adoption through licensed*
11 *adoption service providers;*

12 “(B) *assistance with prenatal care and*
13 *child birthing; and*

14 “(C) *pre- and post-placement adoption*
15 *counseling.”.*

16 ***(b) CONTRACT FOR EVALUATION.—Part B of the Run-***
17 ***away and Homeless Youth Act (42 U.S.C. 5701 et seq.) is***
18 ***amended by adding at the end the following:***

19 **“SEC. 323. CONTRACT FOR EVALUATION.**

20 “(a) *IN GENERAL.—The Secretary shall enter into a*
21 *contract with a public or private entity for an evaluation*
22 *of the maternity group homes that are supported by grant*
23 *funds under this Act.*

24 “(b) *INFORMATION.—The evaluation described in sub-*
25 *section (a) shall include the collection of information about*



1 *the relevant characteristics of individuals who benefit from*
2 *maternity group homes such as those that are supported*
3 *by grant funds under this Act and what services provided*
4 *by those maternity group homes are most beneficial to such*
5 *individuals.*

6 “(c) *REPORT.*—Not later than 2 years after the date
7 on which the Secretary enters into a contract for an evalua-
8 tion under subsection (a), and biennially thereafter, the en-
9 tity conducting the evaluation under this section shall sub-
10 mit to Congress a report on the status, activities, and ac-
11 complishments of maternity group homes that are sup-
12 ported by grant funds under this Act.”.

13 (c) *AUTHORIZATION OF APPROPRIATIONS.*—Section
14 388 of the Runaway and Homeless Youth Act (42 U.S.C.
15 5751) is amended—

16 (1) in subsection (a)(1)—

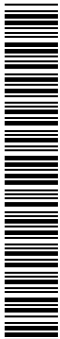
17 (A) by striking “There” and inserting the
18 following:

19 “(A) *IN GENERAL.*—There”;

20 (B) in subparagraph (A), as redesignated,
21 by inserting “and the purpose described in sub-
22 paragraph (B)” after “other than part E”; and

23 (C) by adding at the end the following:

24 “(B) *MATERNITY GROUP HOMES.*—There is
25 authorized to be appropriated, for maternity



1 *group homes eligible for assistance under section*
2 *322(a)(1)—*
3 “(i) \$33,000,000 for fiscal year 2003;
4 *and*
5 “(ii) such sums as may be necessary
6 *for fiscal year 2004.”; and*
7 *(2) in subsection (a)(2)(A), by striking “para-*
8 *graph (1)” and inserting “paragraph (1)(A)”.*

9 **SEC. 305. AUTHORITY OF STATES TO USE 10 PERCENT OF**
10 **THEIR TANF FUNDS TO CARRY OUT SOCIAL**
11 **SERVICES BLOCK GRANT PROGRAMS.**

12 *Section 404(d)(2) of the Social Security Act (42 U.S.C.*
13 *604(d)(2)) is amended to read as follows:*

14 “(2) *LIMITATION ON AMOUNT TRANSFERABLE TO*
15 *TITLE XX PROGRAMS.—A State may use not more*
16 *than 10 percent of the amount of any grant made to*
17 *the State under section 403(a) for a fiscal year to*
18 *carry out State programs pursuant to title XX.”.*

